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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CONFIDENTIAL WITH
SECRET ATTACHMENT

May 12, 1980

MEMORANDUM FOR:

THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF ENERGY
DIRECTOR, ARMS CONTROL AND DISARMAMENT AGENCY
CHAIRMAN, JOINT CHIEFS OF STAFF
DIRECTOR, CENTRAL INTELLIGENCE

SUBJECT: PRC on Argentina (C)

Attached for your information is the issues paper for the PRC Meeting On Argentina which will be held on May 14, 1980 at 10:30 a.m. in the White House Situation Room. (C)

Christine Dodson
Christine Dodson
Staff Secretary

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Review on May 12, 1981

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DEPARTMENT OF STATE

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TO: The Deputy Secretary

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THRU: P - Mr. David Newsom

FROM: ARA - William G. Bowdler *WGB*

PRC Meeting on Argentina
May 14, 1980, at 10:30 A.M.

I. INTRODUCTION

You have agreed to chair a PRC meeting on U.S.-Argentine relations, including the implications of expanding Argentine-Soviet cooperation.

Aside from the question of how best to obtain Argentine cooperation on grains in 1980-81, there are several major issues.

The primary issues are:

1. What is the scope and significance of Argentine-Soviet cooperation?

-- Does expanding Argentine-Soviet cooperation in the economic, political and nuclear area (and the parallel Soviet probe toward Brazil) pose a significant threat to U.S. interests, short and long-term?

-- What are Argentine motives? Can we, if we want to, steer clear of or arrest this trend?

2. What is the best way to pursue U.S. human rights objectives under current circumstances?

-- How should we pursue our human rights interests, taking into account our various other interests and current human rights conditions in Argentina? Have conditions improved significantly?

-- What should be our approach in the UN Human Rights Commission (UNHRC) and other UN bodies? How should we deal with the Argentine concern that current moves in the UNHRC are largely directed at Argentina, and that it must ensure Soviet cooperation and support to forestall public censure and condemnation in the UN.

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The papers prepared for the PRC meeting argue that these two issues are partially linked: i.e. pressure on human rights in UN fora is an important reason for expanding political cooperation between Argentina and the Soviet Union. The papers also show that disagreement exists with regard to the scope and significance of the human rights improvements that have occurred in Argentina, especially over the past year.

The secondary issues are:

3. At what level should we pursue military-to-military contact and cooperation, given strategic, political and human rights interests?

-- Are there strategic and political reasons to seek modification of the Humphrey-Kennedy Amendment? Should we streamline and simplify current review procedures on Commerce-validated licenses?

-- Is there a special case to be made for permitting the sale of training?

4. What needs to be done in the nuclear area?

II. THE OPTIONS

The Issues paper advances three options for U.S. policy toward Argentina (See pp. 10-11 for a discussion of the rationale of these options):

Option A (Favored by HA): Continue strong concentration on human rights:

We would maintain a cool and correct posture until the human rights situation shows substantial further progress, making clear that we are prepared to improve relations when and to the degree that fundamental human rights problems are solved. Military relations would be kept to a minimum; political relations should be cool and correct.

Option B (Favored by ARA, PM, S/P, EB): Continue the current level of effort for more balance in the treatment of our interests in Argentina:

We would continue the present efforts to strengthen

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working relations with the GOA, principally through stepped-up political consultations, but also through some increase in cooperation and increased military contact. We would continue to stress the importance of human rights, but would establish priorities in terms of benefits to Argentine society and attainability. We would seek further specific human rights improvements through dialogue in the improved atmosphere, but would maintain our present policy on votes in the IFIs and the restrictions on military supplies. However, we would seek to reopen the sale of military training. Our general approach, especially in the UNHRC, would seek to avoid pushing Argentina into cooperation with the Soviet Union.

Option C (Possibly favored by DOD): Move a step further toward normal relations:

We would seek further to strengthen working relations with the GOA by lifting the restrictions on Commerce licenses and by initiating a move to lift the Humphrey-Kennedy Amendment restrictions on the military supply relationship. We would stress to the GOA that human rights remain important to us and would continue our abstention on IFI loans. But we would more explicitly and unconditionally reaffirm General Goodpaster's general assurances that we were not interested in seeking the GOA's public censure at the 1980 UNCHR meeting, and would not support future moves for censure in UN or OAS fora in view of current and prospective progress.

III. BUREAU POSITIONS

A. ARA, PM, S/P, EB

We favor Option "B". In our view, the U.S. approach basically should be a political one. We should pursue U.S. interests toward Argentina in a balanced fashion, in line with the Goodpaster, Hodges and Smith missions. We should recognize that the state of U.S. relations plays a significant, although not conclusive, role in the scope and nature of Argentina's relations with the Soviet Union. Human rights remain of great concern, but we should recognize that there has been considerable progress in regard to the most critical human rights areas. We should be concerned over the expanding Argentine-Soviet relationship, but not alarmed. An expanding political relationship, however, would clearly be a serious setback for the U.S., and this development

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we must seek to prevent.

In essence our approach toward Argentina since the Goodpaster mission, this option has already achieved significant results while maintaining pressure for human rights improvements. As a result of our recent initiatives, the GOA:

-- decided against participation in the Moscow Summer Olympics;

-- provided substantial help to the U.S. in blocking the Vietnam Food Aid project;

-- decided it will accept 300 Cuban refugees from the United States and Peru;

-- was the first to publicly support the U.S. in opposing moving the WHO regional office from Alexandria;

-- recalled its ambassador from Tehran (while continuing economic ties); and

-- agreed to set informal limits on its grains exports to the Soviet Union.

As part of this approach, we believe the Administration should pursue the following specific courses of action:

Political Consultations.

We should continue the process of high-level political consultations. (Ambassador Bowdler would plan to visit Buenos Aires later in the year, assuming conditions are propitious.)

Grains.

Within the context of better relations, the U.S. should seek tighter Argentine restrictions on grain exports to the U.S.S.R. without offering any specific quid pro quo. We do not believe we will be able to offer Argentina sufficient inducements to make a large reduction in their grain exports to the Soviets, but we may be able to persuade them to accept moderate reductions and publicly announce a ceiling on these exports in the context of improving bilateral relations, as envisioned in Option B, and overall cooperation among the grain exporting nations. One important gesture in this direction would be to sign the proposed

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U.S.-Argentine agreement on agricultural research cooperation now (rather than delaying until there are further human rights improvements).

Agricultural
agreement

Human Rights.

-- Recognize that the new UNHRC Working Group of experts on disappearances has become an issue of central concern to Argentine diplomacy, that a full accounting of the fate of the disappeared lies in the future, and that Argentine concern over moves it sees as aimed at its condemnation in UN fora is a principal impetus for political cooperation with the Soviets. Without sacrificing principle, USUN and future delegations to the UNHRC should maintain a lower profile on Argentine issues, letting others take the lead where possible, and closely consult with the Department whenever Argentine issues arise.

-- In the OAS, we should support a general endorsement of the IAHRC's report on Argentina and call on the GOA to give the report serious consideration. As far as we know, the GOA has not brought itself to consider accepting such an endorsement, and there will be a need for close consultations.

-- We should seek to establish a confidential, high-level dialogue with President Videla's successor to pursue specific human rights improvements, including a return to judicial processes and safeguards in dealing with "subversion"; a more specific timetable for the release, trial, or exile of the remaining PEN prisoners; an end to the use of torture during the interrogation of detainees; and a definitive end to disappearances. (While the Presidential succession is being debated within the regime -- until September -- we see only limited possibility of carrying forward an effective dialogue in this area.)

-- On the other hand, we should not make accounting for the disappeared a central requirement for the improvement of our bilateral relations, nor should we insist on an immediate return to democracy; it will take years for the present government to lay the groundwork for the establishment of a pluralistic, democratic society.

Military Relations

-- We should continue to hold off a final decision

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whether Argentine Army Chief of Staff Vaquero should be invited to visit the United States at this time. Preliminary soundings by Ambassador Castro indicate that senior Argentine military leaders (i.e., Viola and Galtieri) consider that a visit prior to the selection next September of a successor to President Videla would be premature. From our own perspective, such a visit should be examined in the light of other developments, including the possibility of a visit to Argentina for political discussions by Assistant Secretary Bowdler. In addition, we would like to look to the nature of our contacts, if any, with the selected successor to Videla before his taking office in March 1981.

-- We should pursue other avenues of military consultations, such as responding favorably to Argentina's suggestion that we hold consultations, perhaps with Brazil (it is questionable the GOB will agree), focused on Soviet activities in the South Atlantic. We should not lift the military supply restrictions imposed by Humphrey-Kennedy; there is neither strategic need nor sufficient progress on human rights to do so at this time.

-- However, we should seek ways to renew military training, the sale of which is prohibited by the Humphrey-Kennedy Amendment. Such training would influence the outlook of the next generation of Argentine military leaders.

-- We should undertake an inter-agency review of the Commerce-validated licensing procedures, with a view toward simplifying the review procedure and reducing the scope of the restrictions now in effect.

Nuclear Relations.

-- We should solve the pending safeguards issue on the basis of what is required by U.S. law, recognizing that Argentine interest in cooperation beyond the supply of research fuel is modest.

-- Building on Argentina's recent promises to the FRG and Switzerland, we should continue our dialogue with Argentina's senior leaders on global and regional proliferation concerns as a way to encourage ratification of Tlatelolco.

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Option "A" would likely reduce Argentine cooperation with the U.S. on international and bilateral issues. Argentina would probably abandon efforts to continue cooperation on grains, and seek closer political cooperation with the Soviet Union to counter the increased pressure on human rights. Argentina might also reconsider Soviet offers of military equipment and training and an expansion of reciprocal Argentine-Soviet military visits. A comprehensive fishing agreement, possibly including the provision of Argentine port facilities to Soviet ships and crews, might also be concluded. Furthermore, in reaction to the renewed, exclusive focus on human rights, the GOA would likely dig in its heels on further human rights improvements.

Option "C" would provide the maximum incentive for Argentine cooperation with the U.S. on East-West issues, but at a considerable cost to U.S. human rights policies. The GOA and other Western governments would conclude that the U.S. has abandoned its human rights policy toward Argentina, and the U.S. would be harshly criticized by human rights groups in the U.S., Argentina, and abroad. Human rights violations might possibly increase. Moreover, the extent of Argentine support of the U.S. would still be limited by the GOA desire to protect its profitable trade relationship with the Soviets.

B. HA Position

Our human rights policy is being fundamentally tested in the case of Argentina. In bilateral relations with the U.S. and other democratic governments, Argentina's well documented human rights violations have been the subject of intensive concern. The Argentine Government is sensitive to its poor international image, and international pressure has been a major factor in those improvements which have occurred in the past year. Even the anticipation of a critical report by the Inter-American Human Rights Commission had a positive effect on the human rights conduct of the GOA.

To adopt Option B would give a signal, not only to Argentina but to the rest of the world, that our human rights policy is indeed inconsistent. In particular, it would set back the significant progress made in the recent UN Human Rights Commission where we worked to help establish a mechanism to deal with disappearances. The situation of disappeareds in Argentina provided a major impetus for UNHRC action.

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It can be argued that several of the GOA's steps, which are attributed to recent U.S. initiatives, were the result of a standard of conduct we should expect from that Government regardless of whether we adopted option A or B. The GOA has been playing the Soviet card: at the UNHRC meeting in Geneva, in its grain sales policy, and last week at the San Jose meeting on the Cuban refugee situation. Whether the Argentine Government seeks closer political ties with the Soviet Union will depend more on domestic political considerations than on outside human rights pressure. The annex to the attached discussion paper on the evolution of Argentine-Soviet relations tends to support the argument that the GOA will not rush into a closer relationship with the Soviet Union, rather than the contrary position taken by ARA.

The Argentine Government has supported Soviet and Cuban positions as a naked expedient in seeking allies to deflect human rights condemnation in the international fora. The USG should not fall into the trap of making decisions on the premise that our human rights policy is driving Argentina into the Soviet orbit. This premise implies that a policy of concern for human rights weakens democratic institutions -- a logic that does not withstand scrutiny. Option A has produced improvements in Argentina. To move away from this policy, when significant human rights deprivations continue and when thousands of disappeared remain unaccounted for, would strengthen the GOA's belief that the Soviet card tactics are indeed powerful.

C.. Congressional Relations

H sees serious hurdles in obtaining any modification of the Humphrey-Kennedy Amendment and will be sending you a separate memo on this subject.

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The United States has three major interests in Argentina: East-West relations, nuclear nonproliferation, and human rights. It also has significant interests in a peaceful solution of the Beagle Channel dispute, Argentine support in Hemispheric matters, and in trade and investment relations.

The Goodpaster, Hodges and Smith visits have introduced new balance into our relations with Argentina. They have substantially improved the tone of the relationship while making a promising start at reducing the differences. The current status of our interests is as follows:

East-West Relations. As part of its probings to expand political and economic influence in South America, the Soviet Union is consciously courting both Argentina and Brazil. Argentina has responded to a limited degree because of:

- a strong interest in Soviet trade opportunities;
- a strong desire for Soviet support in international fora on human rights matters;
- an interest in keeping open the possibility of nuclear supplies; and
- some desire for greater balance in its foreign relations between East and West.

However, the Argentine military regimes in prospect for at least the next four to seven years have no desire to emulate the Soviets or to align themselves with the Soviet Union, although there is a natural inclination for economic and political reasons toward warmer bilateral relations. Our improved dialogue with Argentina since January has produced:

- repeated affirmation of Argentina's basic commitment to the West;

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-- a degree of cooperation on grains exports despite our late start on consultations; and

-- greater evidence of Argentine desire to consult and cooperate on Hemispheric matters, such as accepting Cuban refugees and consulting on Central America.

The dialogue also contributed to Argentina's decision to join the Olympics boycott.

Nuclear Nonproliferation. It is clear that Argentina will insist on the continued development of its nuclear technology capabilities, of which it is very proud, and the maintenance for the foreseeable future of a nuclear explosive option. It has demonstrated that it will not respond to pressure on these matters. Our best hope is that a calmer assessment of its own long-term self-interests will lead it more toward safeguards and away from keeping an explosive option open. Closer Brazilian-Argentine relations, symbolized by President Figueiredo's visit to Buenos Aires scheduled for May 13-15, may be helpful in this regard. Argentina is still considering whether to proceed now with the ratification of Tlatelolco. Although the Argentine interpretation that the Treaty permits the development of peaceful nuclear explosives is unhelpful, its ratification could be an important step. The Smith visit was useful, and we hope to reach agreement with Argentina on arrangements to maintain limited nuclear cooperation.

Human Rights. The status of human rights remains a matter of deep concern. While there is broad agreement on the facts of the situation, views differ on the scope and significance of the improvements that have occurred, especially over the past year. Disappearances, a central human rights concern, have declined, as have the number of political prisoners. We are aware of at least (2) disappearances thus far in 1980. (There reportedly were 44 disappearances last year; 55 a month the year before.) Our Embassy recently reported, however, that suspected active terrorists would continue to be dealt with summarily. There is no present prospect that the Argentine Government plans to respond positively to pleas for information about the fate of the thousands of people who have disappeared in recent years. GOA officials recently told Ambassador Smith that about half of the 1300 remaining political prisoners would be tried or released by the end of the year. GOA officials say that, although there is insufficient evidence to try the others, the security forces regard

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them as dangerous and do not plan to release them. The latter group includes some persons who benefitted from the 1974 amnesty of President Campora (who, elected with Peronist support, opened the door for Peron's return) and therefore cannot be tried. The state of siege and lack of due process continue. The military government has committed itself to eventual return to civilian, democratic rule, but no one expects this to occur before the mid or late 1980s, and few in Argentina are pressing for a more rapid timetable. A basic issue that remains unresolved is the future form of Argentina's political party system, especially the future role and orientation of Peronism. A dialogue with political leaders is now beginning, although political party activity remains prohibited.

In the economic area, the government continues to reconstruct the economy on the basis of free market principles, to remove the burden of controls accumulated under Peronism, curtail the role of the public sector while strengthening the functions of provincial and local governments, progressively bring inflation under control, and encourage foreign investment as part of a drive for greater productivity and a higher rate of investment. In the short term, these policies have resulted in belt-tightening for lower and lower-middle income groups. However, full employment has been maintained as part of a deliberate government policy to cushion the impact of these measures. In the longer term, these policies could produce sustained dynamic Argentine economic performance and a decentralized economic system more compatible with a pluralistic political order than the statist centralism of the Peron period. 6ANK
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Argentine officials and human rights activists have praised our human rights report this year as balanced and objective. There were difficulties between the Argentine and U.S. Delegations to the UN Human Rights Commission meeting in Geneva last February-March. These reflected honest differences over substantive issues such as the new disappearance procedure and the draft torture convention. The Argentines will be very sensitive to what occurs in OAS and UN considerations of their human rights performance later this year and early next year; they want to see an end to the Humphrey-Kennedy Amendment against military sales, and positive U.S. votes in the international financial institutions.

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The discussion paper previously distributed described our continued political and economic consultations and military and nuclear relations over the next few months. Is there more that could and should be done in this period?

II. ISSUES FOR THE NEXT SIX MONTHS

1. Significance of Argentine-Soviet Ties and the Appropriate U.S. Response:

The discussion paper draws a distinction between expanding trade ties and political cooperation. The expansion of bilateral trade is a normal phenomenon and will continue, irrespective of U.S. action. The Argentine interest in political cooperation with the Soviets, on the other hand, is related to the Argentine desire to assure Soviet bloc support on human rights issues and reduce the danger of censure in UN fora. A possible interest in Soviet nuclear supplies is related to U.S. safeguards conditions (this issue appears to be approaching solution).

The basic approach proposed in the discussion paper is a political one: to manage U.S.-Argentine relations in a way that strengthens Argentina's sense of identification with the West, to pursue U.S. interests in a balanced fashion and in a manner that takes into account Argentine deep-seated nationalism, and to achieve these goals without compromising our human rights objectives by diminishing or appearing to have diminished our interest in human rights conditions.

Is the approach advocated in the paper an adequate one, in terms of the significance of expanding Argentine-Soviet relations? In terms of the balance of the various U.S. interests?

2. How can the U.S. obtain meaningful Argentine cooperation in restraining exports to the U.S.S.R. for the 1980/81 crop year?

The Acting Secretary of State asked the Argentine Economic Minister on May 6 for GOA cooperation in a program of tighter restrictions on grain shipments to the U.S.S.R. in the coming crop year. Strategy and tactics for cooperation among all the major grain exporting countries are currently under consideration in the SCC, including the explicit ceilings we would seek from each exporter.

a. An Argentine-U.S.S.R. grain agreement is in the offing (contrary to the discussion paper, it has apparently not yet been signed). Reportedly it will state Argentine intentions to supply certain minimum levels of grain. Can the U.S. take advantage of such an agreement to secure an understanding that Argentina will regard the minimum specified in the agreement as a maximum as well? Or would such levels be too high to constitute "meaningful restraint"?

b. How can the U.S. persuade Argentina to announce publicly any ceiling agreed upon? To do so would reinforce the commitment and would help reduce the current premium on prices on Argentine grain which have resulted in the loss of traditional Argentine markets. If the minimum levels contained in the Soviet agreement are consistent with a meaningful Argentine ceiling, the conclusion of the agreement could provide the pretext for a public announcement helpful to the cooperation effort.

3. What is the appropriate human rights stance for the U.S. in this period in the light of Argentine performance and our other interests?

a. In bilateral demarches and contacts with Argentina?

One approach would strongly press for improvements in all areas, including strong pressure for a serious accounting to families, either directly or indirectly, of the fate of disappeared persons; the other would proceed more selectively, with emphasis on further reform of current security and judicial practices rather than an accounting for the disappeared and other past violations. One approach would include occasional strong public criticism of the GOA's practices; the other, while maintaining our public posture of criticism and concern, would do so in a lower key, and place greater emphasis on quiet but persistent dialogue to press for specific reforms, taking advantage of an improving atmosphere and closer bilateral relations.

b. In the OAS and the UN?

The GOA is greatly concerned over the potential work of the new group of experts on disappearances established by the UNHRC with strong U.S., West European,

and Canadian support. It feels that the group's principal effort will be directed at Argentina, for an accounting of the fate of disappeared persons. The GOA undoubtedly fears that specific data, if available, on disappearances (i.e., torture and summary executions) would lead to demands that those responsible be identified and punished. Although the methods of the working group remain to be worked out, the GOA fears that the group's work will be the basis of moves next year to seek the appointment of a special rapporteur on Argentina and the GOA's public condemnation in UN fora. This fear is a principal reason the GOA seeks to strengthen political cooperation with the Soviets in UN fora.

The OAS has recently released a report on the human rights situation in Argentina based on the visit of the Inter-American Commission on Human Rights last September. The report is highly critical of Argentina and has been attacked by the GOA as biased and an interference in Argentina's internal affairs. The IAHR report will be taken up at the OAS General Assembly this fall.

The Argentine position on how to deal with the IAHR report is still under study in Buenos Aires. One view circulating within the regime -- reportedly angered by the report's alleged failure to properly acknowledge the history of pre-1976 terrorism and the improvements accomplished since 1973 -- is that Argentina should withdraw from the OAS, thus perhaps triggering an exodus by other countries, including Brazil. In private conversations, Argentine diplomats have warned of this possibility, stressing the depth of feeling on the issue in Buenos Aires. We have no evidence as of this time, however, that this view is about to be adopted as the Government's policy.

How should we deal with these matters in OAS and UN fora?

c. With our NATO Allies?

One approach would be to initiate a series of high-level consultations with our NATO Allies for the purpose of sharing information about human rights developments and about the Soviet-Argentine relationship, and of discussing the most effective way of dealing with these matters, including possible joint or parallel demarches, public statements, and coordinated action in international institutions (including the multilateral

banks).

d. With regard to sanctions (vote in the IFI's, military training, and military sales)?

Our abstentions in the IFI's have not prevented ordinary capital loans to Argentina. The prohibition of military sales has shifted Argentine purchases of new equipment to European sources; it is, however, beginning to create problems for the Argentines with respect to spare parts for U.S.-supplied equipment. 37-4-6

On the other hand, our measures have considerable political significance as a tangible expression of disapproval of Argentine human rights violations. Any possible modification of our posture in this area would have to take into account the implications for our stance toward other countries with major human rights violations, as well as the message this would send to human rights groups in Argentina and to other countries who have joined us in criticizing human rights violations in Argentina.

4. How far should we carry military-to-military contact and cooperation under present circumstances?

Cooperation involves three possible levels:

- visits, joint exercises, consultations on security matters;
- the sale of military training;
- a military supply relationship (new equipment and spares).

The sale of training under FMS and military supplies (FMS and Munitions List items) are prohibited by the Humphrey-Kennedy amendment. In addition, under current policy, the U.S. Executive limits sales of non-Munitions List items to the Argentine military and the police through the Commerce export control licensing system.

The PRC discussion paper argues for limited contacts (visits, joint exercises) but opposes a change in our military supply policy at this time.

A second view is that we should avoid the political

symbolism of support which these contacts imply, or minimize them until there is a definitive breakthrough on human rights. A third view, on the other hand, argues that, because of our strategic interests and the improvement in human rights, we should streamline, liberalize, or lift altogether, the restrictions on the military supply relationship. This would involve a) an elimination of restrictions on Commerce export licences; and/or b) the modification or elimination of the Humphrey-Kennedy Amendment.

The denial of training (the sale of training under FMS is now prohibited by the Humphrey-Kennedy Amendment) involves a separate issue: Argentine officers traditionally sent to the U.S. are officers with promising careers. (Videla, Viola, and Galtieri all received training or served in the U.S.) Shortly the Argentine Armed Forces will have no officers of the rank of major or below who have received U.S. training. One view questions whether the U.S. should continue to deny itself this avenue of influencing the outlook of the next generation of Argentine military leaders. Another view argues that the present generation of military leaders is responsible for the government's repression of the past four years and questions the premise that U.S. training has had a significant positive influence on their outlook. It also argues that a military training relationship is a clearly visible, high-profile means of demonstrating U.S. political support for a government.

5. Are our present policies with regard to nuclear relations with Argentina adequate?

The issues are:

-- At what level can we and should we pursue nuclear cooperation?

-- Is there anything more we can and should do to encourage Argentine ratification of Tlatelolco, and acceptance of full-scope safeguards?

-- How would possible actions in these areas impact on our general relationship and would they be worth the cost?

The discussion paper argues:

-- Nuclear Cooperation. We should try to resolve the pending safeguards issue on the basis of what is required by U.S. law. Official Argentine interest in further cooperation, beyond the research fuel, appears to be modest at this time. Once the safeguards issue is resolved, we would probe to see what interest there might be in Argentine nuclear circles in U.S. cooperation (see also below).

-- Tlatelolco. We should continue a dialogue with Argentina's most senior leaders on global and regional proliferation concerns. Nothing more specific to encourage Argentine ratification appears feasible or desirable at this time. (We should, of course, on appropriate occasions, continue over the next few months to remind the GOA of President Videla's commitment to ratify.)

In addition, looking beyond the issue of safeguards assurances, the Administration must also address the issue of licensing of U.S. components for Argentine nuclear projects. This issue carries with it the possibility of a continuing role of U.S. industry in Argentina's nuclear program even though the position of prime contractor has been lost to German, Canadian, and Swiss companies. For example:

-- the U.S. firm, Combustion Engineering, working with the Argentine firm, Pescarmona, wishes to bid as a subcontractor for the pressure vessel for Atucha II. Siemens/KWU argues against Combustion Engineering's qualifications on grounds that the U.S. firm, in view of the uncertainties of whether a U.S. export license can be obtained, is not a reliable supplier.

-- Sulzer Brothers, the Swiss prime contractor for the heavy water plant, has approached Canadian firms about components, some of which may be U.S. controlled.

The issue is whether the U.S. should encourage or discourage such industrial collaboration. The current U.S. stance has been to discourage Combustion Engineering, partly because of our concern to keep good faith with the Canadians who -- unsuccessfully -- insisted on full-scope safeguards as a condition of the sale of a nuclear power reactor and heavy water plant.

Significant U.S. exports, the future of U.S.-Argentine industrial cooperation in this important sector, and U.S. nonproliferation policy are at stake in this issue.

III. THE BROAD CHOICES

Option A. Continue strong concentration on human rights.

We would maintain a cool and correct posture until the human rights situation shows substantial further progress, making clear that we are prepared to improve relations when and to the degree that fundamental human rights problems are solved. Military relations would be kept to a minimum; political relations should be cool and correct.

Rationale: The human rights situation remains exceedingly grave and outweighs the practical significance and relevance of other interests in our relations with Argentina. The essential elements of Argentine human rights violations -- the apparatus of repression, the lack of due process, the prohibition of meaningful political and labor union activity, and the failure to provide information about disappeared persons -- all remain in place. Expanding Argentine-Soviet cooperation thus far has been pragmatic and self-limiting. It is not now a significant threat to U.S. strategic interests, but we should continue to watch Argentine-Soviet relations closely.

Option B. Continue the current level of effort for more balance in the treatment of our interests in Argentina.

We would continue the present efforts to strengthen working relations with the GOA, principally through stepped-up political consultations, but also through some increase in cooperation and increased military contact. We would continue to stress the importance of human rights, but need to establish priorities in terms of benefits to Argentine society and attainability. We should seek further specific improvements through dialogue in the improved atmosphere, but maintain our present policy on votes in the IFI's and the restrictions on military supplies. We should, however, seek to reopen the sale of training (which would require modification of the Humphrey-Kennedy Amendment). Our general approach, especially in the UNHRC, should seek to avoid pushing Argentina into cooperation with the Soviets.

-11-

Rationale: Our approach to limit Soviet influence should be basically a political one. There has been progress in human rights -- notably, few new security cases and a new assertiveness by the judiciary and in public expression and a general decline in violence and repression. Our approach should acknowledge this progress. Certain issues in the relationship which have not been linked in the past should be kept delinked. There is no strategic need to relax military supply restrictions at this time. Training, however, is important to try to influence the next generation of Argentina's military leaders. We do not want to create too much of an imbalance in our relations with Argentina and with Chile, however, while the Beagle Channel issue is still outstanding.

Option C. Move a step further toward normal relations.

We would seek further to strengthen working relations with the GOA by lifting the restrictions on Commerce licences and by initiating a move to lift the Humphrey-Kennedy Amendment restrictions on the military supply relationship. We would stress to the GOA that human rights remain important to us and would continue our abstention on IFI loans. But we would more explicitly and unconditionally reaffirm General Goodpaster's general assurances that we were not interested in seeking the GOA's public censure at the 1980 UNHRC meeting, and would not support future moves for censure in UN or OAS fora in view of current and prospective progress.

Rationale: The deteriorating international security situation makes Argentine cooperation important. We must take seriously Soviet probes to establish influence in Argentina and Brazil and to foster mutually profitable economic relations. Argentine fears of public censure in the UN, essentially for past human rights violations, are a principal reason for increasing Argentine-Soviet political cooperation. Many political observers agree that a solution to the problem of past disappearances is not feasible at this time and will come, if at all, as part of a broader political settlement, including a general amnesty. The Smith mission, in its report, noted that no major Argentine political leader is pressing for an accounting at this time. The measures contemplated under this approach are the strongest card we can play to counter Soviet probing for influence, to reestablish close working relations, to obtain Argentine cooperation on grains and other East-West issues, and to elicit further Argentine cooperation in Hemispheric matters.

Clearances (in draft):

D - DDworkin (u)
P - FVargas (u)
S/P - SPurcell (u)
S/MS - CKamman (u)
EUR - RPerito (u)
HA - PFlood (u)
E - BRush (u)
EB - MCalingaert (u)
S/AS - ALocke (u)
INR/RAR - JBuchanan (u)
INR/RSE - IKulski (u)
OES - RDeming (u)
PM/ISP - TDeibel (u)
PM/SAS - DCox (u)
IO - JMcDonald (u)
ARA/PPC - RMorley (u)
ARA/RPP - GJones (u)

Drafted:ARA:SEaton:ARA/SC:CWRuser/GJWhitman (u) (u)

3-
Drafting list